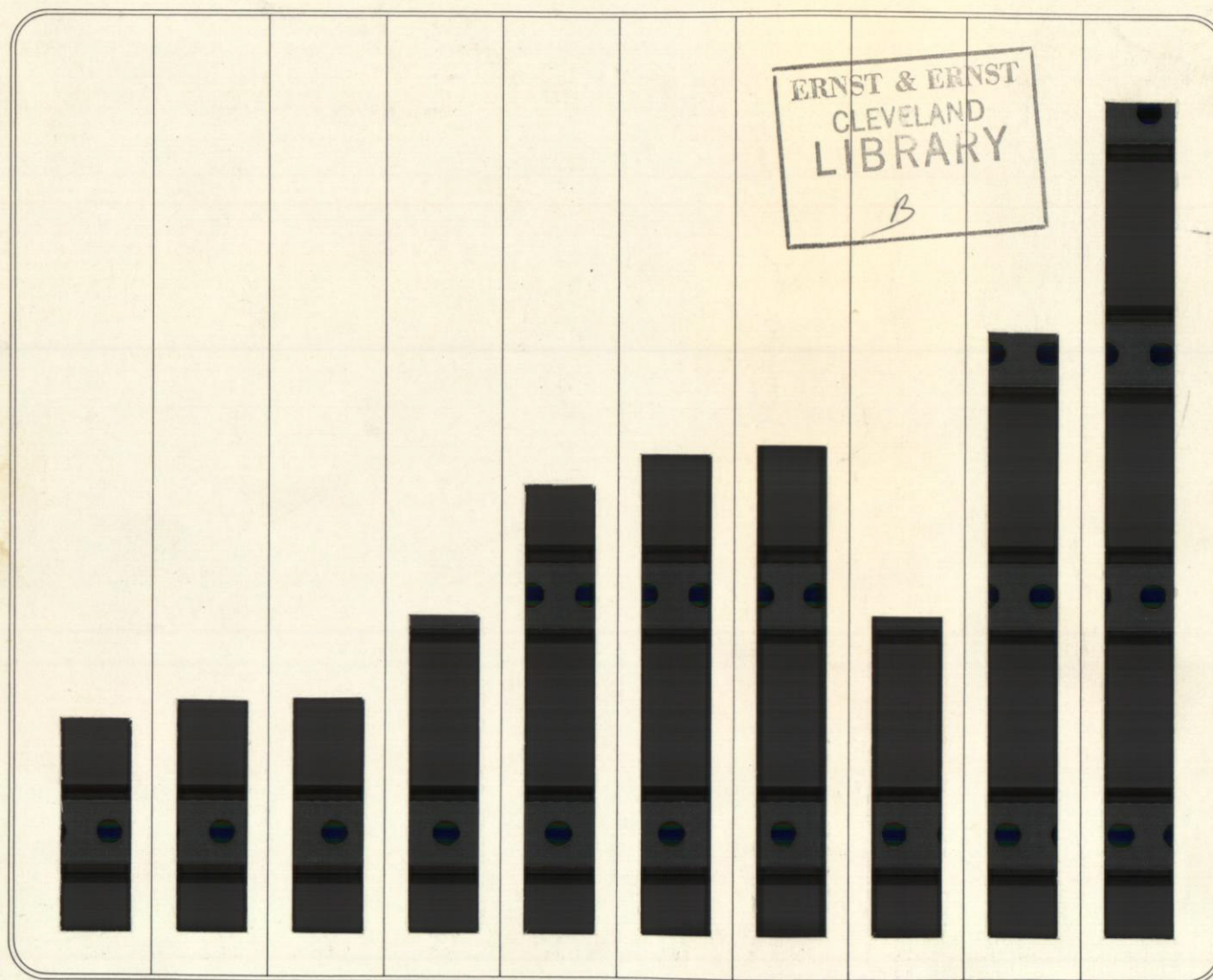
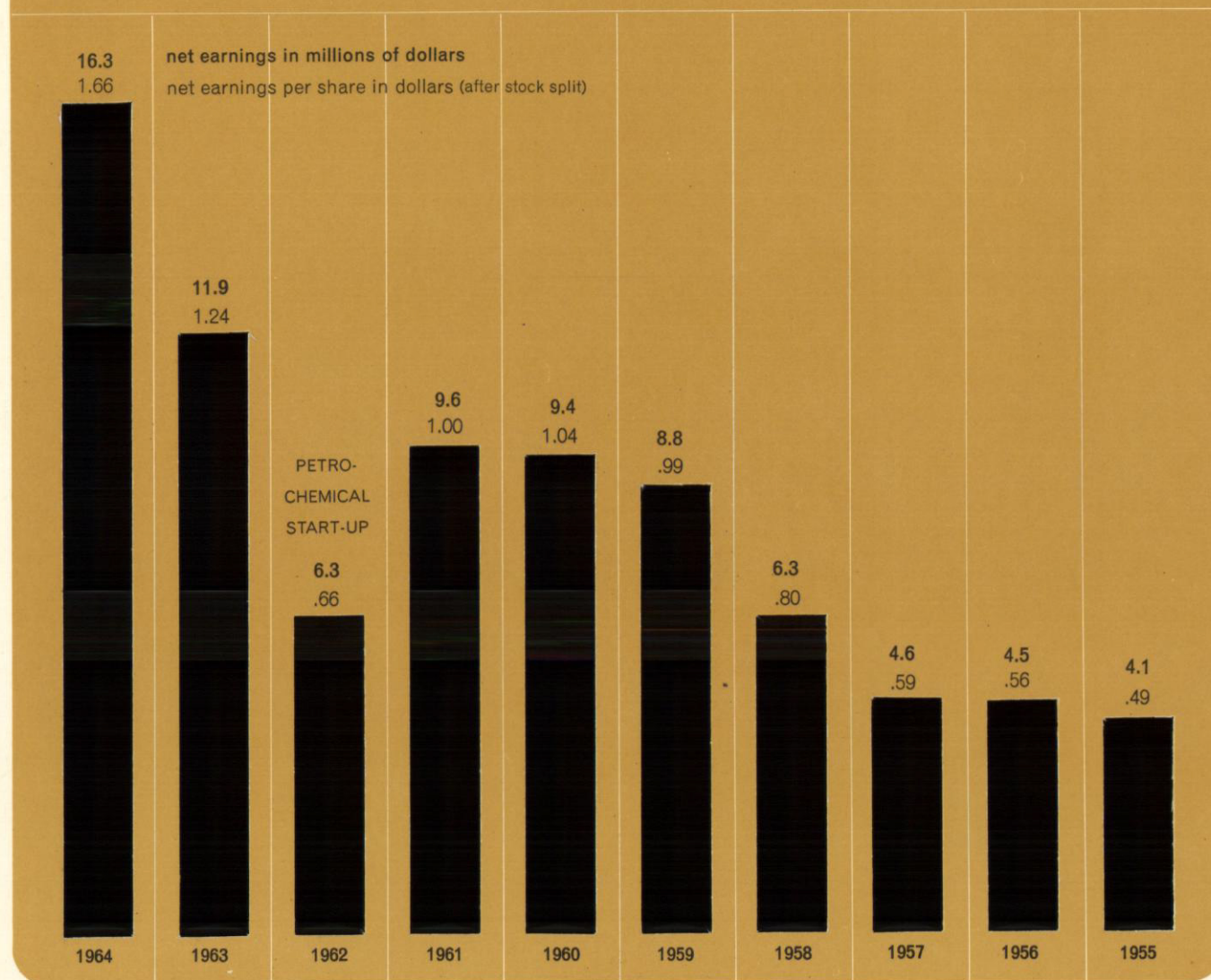


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Rexall Drug and Chemical Company • Annual Report 1964



REXALL TEN YEAR EARNINGS SUMMARY



Chemicals
Packaging
Tupperware
Riker-Ethical Drugs
Rexall Drug Products
Liggett-Drug King



BOARD OF DIRECTORS

John Bowles

President, Rexall Drug Products Group

Ernest R. Breech

Chairman of the Board of Directors of Trans World Airlines, Inc.; Director of Ford Motor Company and other companies

Donald H. Brewer

President, Packaging Group

John C. Cornelius

Director of Red Owl Stores, Inc., Director and member of The Executive Committee of Investors Mutual, Inc., and other companies

George J. Daly

Vice President, Accounting

Justin Dart

President

Alfred M. Gruenther

General, U.S.A. (Ret.); Former President, American Red Cross; Director, Pan American World Airways; Director and Member of Executive Committee, New York Life Insurance Company; Consultant, Federated Department Stores, Inc.

Roland F. Hallett

Vice President and Treasurer

Ralph M. Knight

President, Chemical Group

F. Thatcher Lane

Director of Curtiss-Wright Corporation, and other companies

George L. Maison, M.D.

President, Ethical Drug Group

Stanley M. Rumbough, Jr.

President, Rumbough Company;

Director, International Flavors and Fragrances, Bowmar Instrument and other companies

James E. Shelton

Chairman Emeritus and Director of Security First National Bank, Los Angeles; Director Los Angeles Investment Company and other companies

Holmes Tuttle

President and Director of Holmes Tuttle Ford Sales, Inc., Beverly Lincoln-Mercury, Inc., Los Angeles

Hamer Wilson

President, Tupperware



George J. Daly,

Stanley M. Rumbough, Jr.,

George L. Maison, M.D.,

James E. Shelton,

Ralph M. Knight,

Ernest R. Breech,

Justin Dart,

HONORARY DIRECTORS

Earl E. Anderson

Vice President, Chairman of the Executive Committee and Director of Beech-Nut Life Savers, Inc.; Chairman of the Board of Directors of Drilling and Exploration Co., Inc.

Paul A. Draper

Chairman of the Board of Directors of Draper & Company, Inc.; Director of Draper Brothers Co.

EXECUTIVE COMMITTEE

Justin Dart, *Chairman*

Ernest R. Breech

Alfred M. Gruenther

James E. Shelton

Holmes Tuttle

AUDIT COMMITTEE

James E. Shelton, *Chairman*

Ernest R. Breech

Holmes Tuttle

STOCK OPTION COMMITTEE

John C. Cornelius, *Chairman*

Holmes Tuttle

James E. Shelton

INCENTIVE COMPENSATION COMMITTEE

Ernest R. Breech, *Chairman*

James E. Shelton

Holmes Tuttle

OFFICERS

Justin Dart, *President*

Norbert Baillen, *Vice President*

Robert T. Beattie, *Vice President*

John Bowles, *Vice President*

Donald H. Brewer, *Vice President*

George J. Daly, *Vice President*

Roland F. Hallett, *Vice President and Treasurer*

Ralph M. Knight, *Vice President*

George L. Maison, M.D., *Vice President*

Richard A. Parker, *Vice President*

Hamer Wilson, *Vice President*

Benjamin H. Dorman, *Secretary and Corporate Counsel*

Russell K. Bolton, *General Counsel*



Gen. Alfred M. Gruenther,

Donald H. Brewer,

Holmes Tuttle,

John Bowles,

John C. Cornelius,

Roland F. Hallett



Hamer Wilson



F. Thatcher Lane

PRESIDENT'S MESSAGE

to the stockholders:

EARNINGS: Rexall Drug and Chemical Company and its subsidiaries around the world have set another record for earnings and sales in 1964. Consolidated net earnings were \$16,292,000, equal to \$1.66 per share on the new shares

which compares with \$11,951,000 for 1963, or \$1.24 per share, adjusted for the stock split and the 1964 stock dividend. These figures include a gain of 18 cents from the final segment of sale of stock in Consolidated Thermoplastics Company to El Paso Natural Gas Products Company, increasing their ownership to 50%. This compares to a similar gain of 12 cents per share in 1963 and 9 cents in 1962. **SALES:** Consolidated sales for 1964 were \$283,985,000 compared to \$264,553,000 in 1963. As a result of El Paso's increased ownership in Consolidated Thermoplastics, only 50% of the sales of that company are included in total consolidated net sales for 1964. Sales for 1963, previously reported at 100%, have been



Justin Dart, President, Rexall Drug and Chemical Company.

restated on a comparable basis. The significant volume increase throughout the Company is not fully apparent because these increases were offset by our retail store reduction program.

STOCK SPLIT AND DIVIDEND INCREASE: In December of last year the stockholders approved a recommendation by the Board of Directors to increase the authorized capital stock from ten million to twenty-five million shares and to split the outstanding shares on a two for one basis. The cash dividend annual rate was increased from 50¢ to 60¢ per share or 30¢ per share on the new stock and the 3% stock dividend was declared for the seventh consecutive year.

FOREIGN EXPANSION: The vigorous expansion of our international operations was furthered

last year. In excess of 35% of your Company's operating income was realized from foreign sources in 1964 and we estimate a further increase in 1965.

The Packaging Group enlarged its facilities in Belgium to provide for increased sales to our European customers.

The Ethical Group acquired a pharmaceutical company in France, expanded its research facilities in England, and enlarged its plant facilities in Australia.

Tupperware continued its world-wide expansion by opening manufacturing facilities in Japan, enlarging its Belgian manufacturing plant, and continuing to explore other countries. A parcel of land was purchased in Mexico where a plant is

THE YEAR IN BRIEF

	1964	1963†
OPERATIONS		
Net sales	\$283,985,000	\$264,553,000
Net earnings	\$ 16,292,000	\$ 11,951,000
Per share	\$1.66	\$1.24*
NUMBER OF SHARES		
Average during year	9,801,078	9,617,528*
Outstanding at year end	9,802,940	9,625,350*
AT YEAR END		
Current assets	\$140,379,000	\$124,509,000
Less: current liabilities	\$ 46,119,000	\$ 38,819,000
Working capital	\$ 94,260,000	\$ 85,690,000
Long term debt	\$ 55,697,000	\$ 56,855,000
Stockholders' equity	\$124,655,000	\$109,660,000
Per share	\$12.72	\$11.39*
DIVIDENDS—PER SHARE		
Cash (adjusted for stock split)	\$0.26¼	\$0.25
Stock	3%	3%

†Restated—see note 3 to financial statements.

*Adjusted for three percent stock dividend issued in March 1964, and 2 for 1 stock split in December 1964.

being built this year. Another piece of land was acquired in Spain where a new facility will be started in the near future.

DOMESTIC EXPANSION — CHEMICALS: At home, to keep pace with the burgeoning plastic market, the Chemical Group joint venture in Odessa, Texas, completed its polypropylene plant and started production early in 1964. Construction has begun to increase the capacity of the polyethylene plant to 250 million pounds per year. Completion is expected early in 1966. The joint venture olefins plant is also expanding to a total capacity of 425 million pounds annually to supply the necessary raw materials for the polyethylene and polypropylene facilities. Your Company will soon begin to

construct a wholly owned ABS facility in the Midwest. This 33 million pounds per year facility will provide this relatively new plastic for growing markets requiring a tough, hard, yet attractive plastic for use in such products as appliances, automotive parts, luggage and industrial products. Completion is scheduled for mid-1966. We recently announced the purchase of Massachusetts Plastics Corporation. This polystyrene fabricator produces a complete line of cottage cheese and ice cream type plastic containers and polystyrene film. Extruding sheet and shrinkwrap, thermoforming containers and lids plus decorating and printing the finished container are all done at the Ludlow, Massachusetts plant.



Corporate Staff Vice Presidents: Roland F. Hallett, Vice President and Treasurer; George J. Daly, Vice President, Accounting; Richard A. Parker, Vice President, Organization.

Rexall Drug Products

The original and best known activity of Rexall is the Rexall Drug Products Group, which has, since 1903, manufactured drug store products and sold them exclusively to franchised Rexall druggists. Presently Rexall's manufacturing facilities in U.S., Canada, South Africa and England, provide over 3,000 medicines, vitamins, cosmetics, toiletries, pharmaceuticals and related products to over 12,500 franchised Rexall pharmacists in the U.S. and Canada, and to many other pharmacies around the world.

The Rexall franchise fills an important need of the independent druggist and many chain drug store operators. A complete line of quality Rexall products, backed by proven

merchandising techniques, provides the Rexall pharmacist with popular merchandise that gives him a larger profit than he receives from competing open market products. Further, identification with Rexall permits him to benefit locally from the national recognition and respect associated with the Rexall name.

In the era of discounting and super stores, the independent drug store is providing an ever more important role. By offering service, selection and convenience, he is fulfilling the needs of his community. Rexall is dedicated to providing the products, promotions and services to assure his continuing success in the retail field.

(1) REXALL DRUG COMPANY: J. Bowles, President; R. E. Sawyer, Controller; G. F. Beavan, Vice President, Public Relations; J. T. Rux, Vice President, Warehousing; F. W. Politi, Manager, St. Louis Laboratories; J. J. Murphy, Vice President, Operations; E. L. Ramsey, Vice President, Marketing; R. H. Garrison, Vice President and General Sales Manager; (2) REXALL CANADA: H. Vander Linden, President; (3) REXALL ENGLAND: M. Richardson, Chairman and (4) Walter Clark, Managing Director; (5) REXALL SOUTH AFRICA: J. A. Mellon, Managing Director.



REXALL DRUG PRODUCTS

STOREWIDE PROMOTIONS: Rexall sales are probably the best-known sales in retailing. An important segment of Rexall's volume is derived from these events, successful for over fifty years. In 1964, a concentrated effort was made to develop Rexall's January "Half Price" sale. A heavy saturation advertising campaign was used to promote this 10-day event. A balanced radio, television, newspaper and magazine campaign reached, on the average, every U. S. household six times in the 10 days. This effort, coupled

with a more effective merchandising program offering the consumer better bargains on commodity items, established a sale that exceeded all expectations.

REXALL RADIO & TV NETWORK: In 1964, Rexall increased its advertising by developing an exclusive Rexall Radio and TV network that concentrated advertising impact where the sales of Rexall products are strongest. In addition, this localized effort has created more than usual volume of tie-in support from Rexall druggists' own advertising and promotional activities.

SUPER PLENAMINS: America's largest selling vitamin-mineral formula was honored by being selected for use by the U. S. Olympic Team. The drug company's packaging now reflects this

distinction by carrying the official Olympic Shield. A special free-trial offer, national advertising and heavy in-store display and promotion combined to create a favorable reception by Rexall pharmacists and consumers alike.

REXALL MEDICINES: For years Rexall has provided its franchises with a complete line of proprietary medicines. This line, backed by year-around promotional support, has provided Rexall store owners with the necessary tools to answer the threat of discounting. These Rexall medicine products, effectively packaged, are of equal or better quality, yet provide Rexall pharmacists with a greater profit.

Rexall laboratories continue to pioneer important new drug products. Important medicines



Rexall advertising to promote Rexall stores, Rexall pharmacists and Rexall products.



Rexall proprietor J. R. Ball with Constable Linton, Nottingham, England.

marketed for 1964 included "Time Action Cold Capsules," "Extra Strength Pain Relief Tablets," "Vapure" aerosol decongestant and "Hay Fever Allergy Tablets," to name a few.

REXALL COSMETICS: In 1964, Rexall's cosmetic line became firmly established as a prestige line. Fashion magazine advertisements and attractive tie-in store displays promoting glamorous make-up and treatment products have been effective in establishing this line nationwide. Rexall has increased its share of the gift cosmetic business with its "Flower Drum" line of gift cosmetics in unique oriental motif packaging. Rexall's "Fast" home permanent line, "Brite-Set" hair spray and Rexall's teen-age cosmetic line have been exceptionally well received.

REXALL REALTY

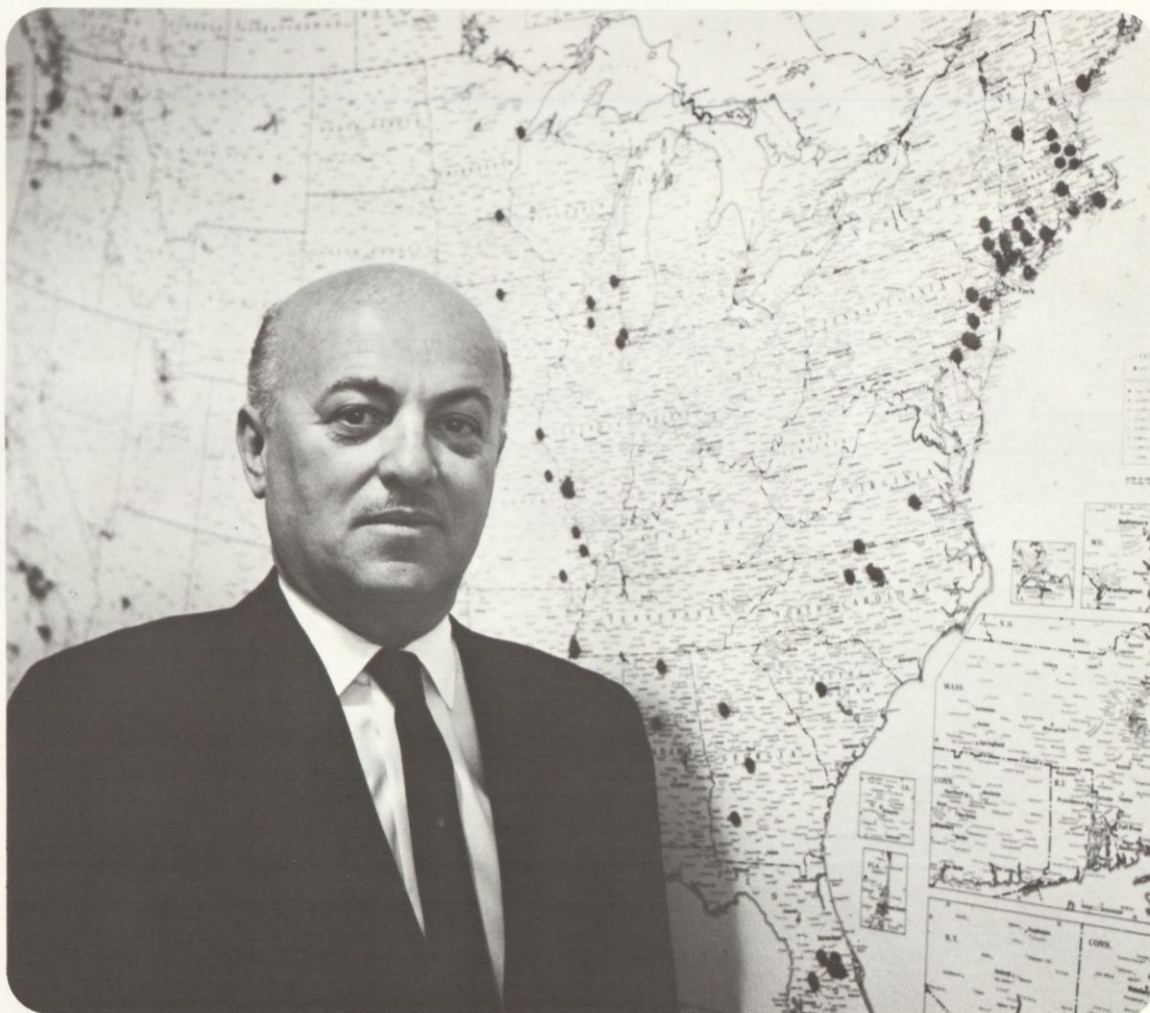
This wholly owned corporation enables qualified pharmacists to open their own drugstores in key shopping center and other high traffic locations throughout the United States. Rexall Realty Corporation becomes a "Partner" with the independent pharmacist, who, after a relatively short time, may acquire full ownership of the drug store.

By the end of 1964, Rexall Realty had helped 129 independent pharmacists go into business for themselves. In return, Rexall Realty shares in the profit of these operations for a period of time until its interest is retired.

Through this program, many new and important Rexall franchises are created. These franchises are doing an outstanding job of promoting and selling Rexall merchandise.



Super Plenamins, official vitamin of the U.S. Olympic Team.



Rexall Realty, Sam Prusky, President, and map of store locations.



Robert T. Beattie, President, Liggett-Drug King Group.

Liggett-Drug King

The reshaping of Rexall's company-owned store operations is all but completed. The total is now 95, which includes 77 Liggett-Rexall drugstores on the East Coast and 18 Drug King stores in California. There are also several department store toiletry and cosmetic concessions. On the West Coast, 10 Gales Coffee Shops are adding to the profitability of Drug King operations. Unprofitable and marginal retail operations have been eliminated, while larger, self-service, high volume stores have been developed and will be further expanded. This reshaping program has had a very favorable effect on profits. The

current return on invested capital is one of the very highest in the chain drugstore industry.

In the East, Liggett has expanded its agency division to over 300 drugstores. The agency division performs much of the buying, warehousing and promotional functions for these drugstores, thus making more efficient utilization of Liggett's facilities and capabilities and providing the Company with an additional source of income. It enables the retailer to identify himself with Liggett and Rexall, to buy more efficiently, to advertise and merchandise more effectively and to sell his merchandise competitively.

LIGGETT-DRUG KING: C. F. Falkenhainer, Executive Vice President, Liggett Drug Company; R. T. Beattie, Group President; J. H. Hecht, President, Drug King, Inc.



STATEMENT OF EARNINGS AND RETAINED EARNINGS

Rexall Drug and Chemical Company
and its consolidated subsidiaries

	1964	1963 (restated—note 3)
INCOME		
Sales, less returns, allowances and discounts	\$283,985,000	\$264,553,000
Gain on sale of capital stock of Consolidated Thermoplastics Company	2,338,000	1,613,000
Other income	1,490,000	1,966,000
	<u>287,813,000</u>	<u>268,132,000</u>
COSTS AND EXPENSES		
Cost of goods sold	154,249,000	150,032,000
Selling, distribution, promotional and administrative expenses	94,211,000	85,020,000
Depreciation	7,803,000	6,561,000
Interest on indebtedness	3,508,000	3,318,000
	<u>259,771,000</u>	<u>244,931,000</u>
Earnings before income taxes	28,042,000	23,201,000
Provision for United States and foreign income taxes	11,750,000	11,250,000
	<u>16,292,000</u>	<u>11,951,000</u>
NET EARNINGS FOR THE YEAR		
Retained earnings at beginning of year:		
Rexall Drug and Chemical Company and its consolidated subsidiaries	54,200,000	47,471,000
Colorite Plastics, Inc.—acquired in 1964	669,000	
	<u>71,161,000</u>	<u>59,422,000</u>
Dividends:*		
Cash, 26¼¢ per share in 1964 and 25¢ per share in 1963	2,528,000	2,318,000
Stock, 3%, 280,350 shares at \$20.00 per share paid in March 1964 and 271,722 shares at \$10.69 per share paid in March 1963	5,607,000	2,904,000
	<u>8,135,000</u>	<u>5,222,000</u>
RETAINED EARNINGS AT CLOSE OF YEAR	<u>\$ 63,026,000</u>	<u>\$ 54,200,000</u>

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

	1964	1963 (restated—note 3)
CAPITAL IN EXCESS OF PAR VALUE		
At beginning of year	\$ 43,817,000	\$ 41,216,000
Excess of fair value over par value of capital stock issued as stock dividends, 280,350* shares in 1964 and 271,722* shares in 1963	5,257,000	2,565,000
Other credits	405,000	36,000
At close of year	<u>\$ 49,479,000</u>	<u>\$ 43,817,000</u>

See accompanying notes to financial statements.

*after giving effect to 2 for 1 stock split in 1964.

Packaging

Rexall's Packaging Group specializes in products for packaging; however, many other Rexall fabricating operations fall within its jurisdiction.

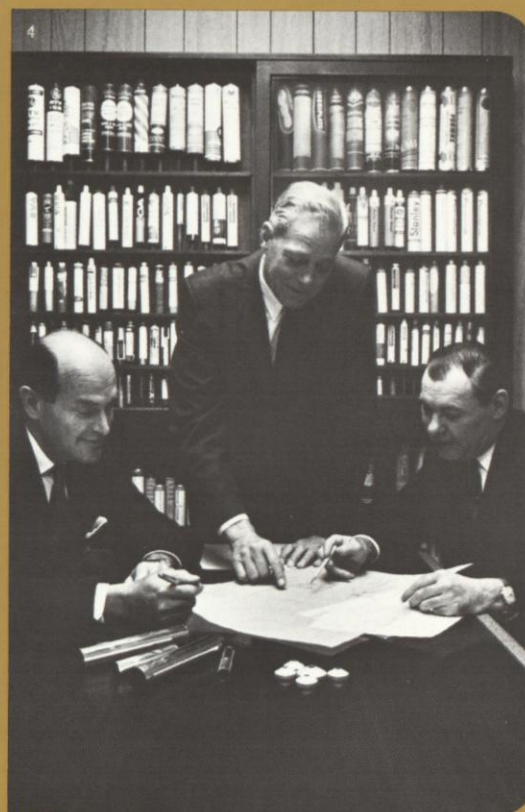
A major objective of the Packaging Group is to maintain an important and growing position in the packaging industry. Packaging is playing an increasingly important role in building the sales of consumer products and in reducing distribution costs. Emphasis within the packaging field is centered on the development of unique products where design, process and engineering skill permit maximum economy for Rexall and its customers.

Another objective of the Packaging Group is to offer technical and process engineering skills to customers on an international basis, thus producing worldwide service.

The varied operations within the Packaging Group support Rexall's basic plastic resin position. Many of the products manufactured by Rexall's film, bottle, closure and plastic houseware operations are made from El Rex resins.

Our domestic IMCO, Film Division, New Markets and Combi-Clip® operations comprise Consolidated Thermoplastics Company, jointly owned with the El Paso Natural Gas Products Company. Other activities are wholly owned.

(1) IMCO: R. A. Kwapii, Vice President, Controller; R. F. Kuhne, Vice President, Western Region; L. H. Simmons, Vice President; R. V. Vosburgh, President; F. L. Kocher, Vice President, Central Region; C. F. Farrell, Executive Vice President; (2) E. M. Davis, Imco Chairman; (3) W. S. Nuckols, Vice President, Eastern Region; (4) WHITE METAL: C. Stiassni, President; H. R. Miller, Vice President, Sales; W. T. Suggs, Vice President and General Manager; (5) TUPCO: E. N. Fitzpatrick, Sales Manager; J. Vita, Plant Manager.



PACKAGING

IMCO: The past year saw the expansion of domestic plants for blow-molding plastic containers from eight to eleven. IMCO continued to pioneer in plastic containers and has marketed the first plastic blow-molded aerosol container. IMCO has also produced polyethylene oil cans for automotive and marine uses. They are now being test marketed by major oil companies. The most significant of 1964 developments was the polyvinyl chloride (PVC) container, the first

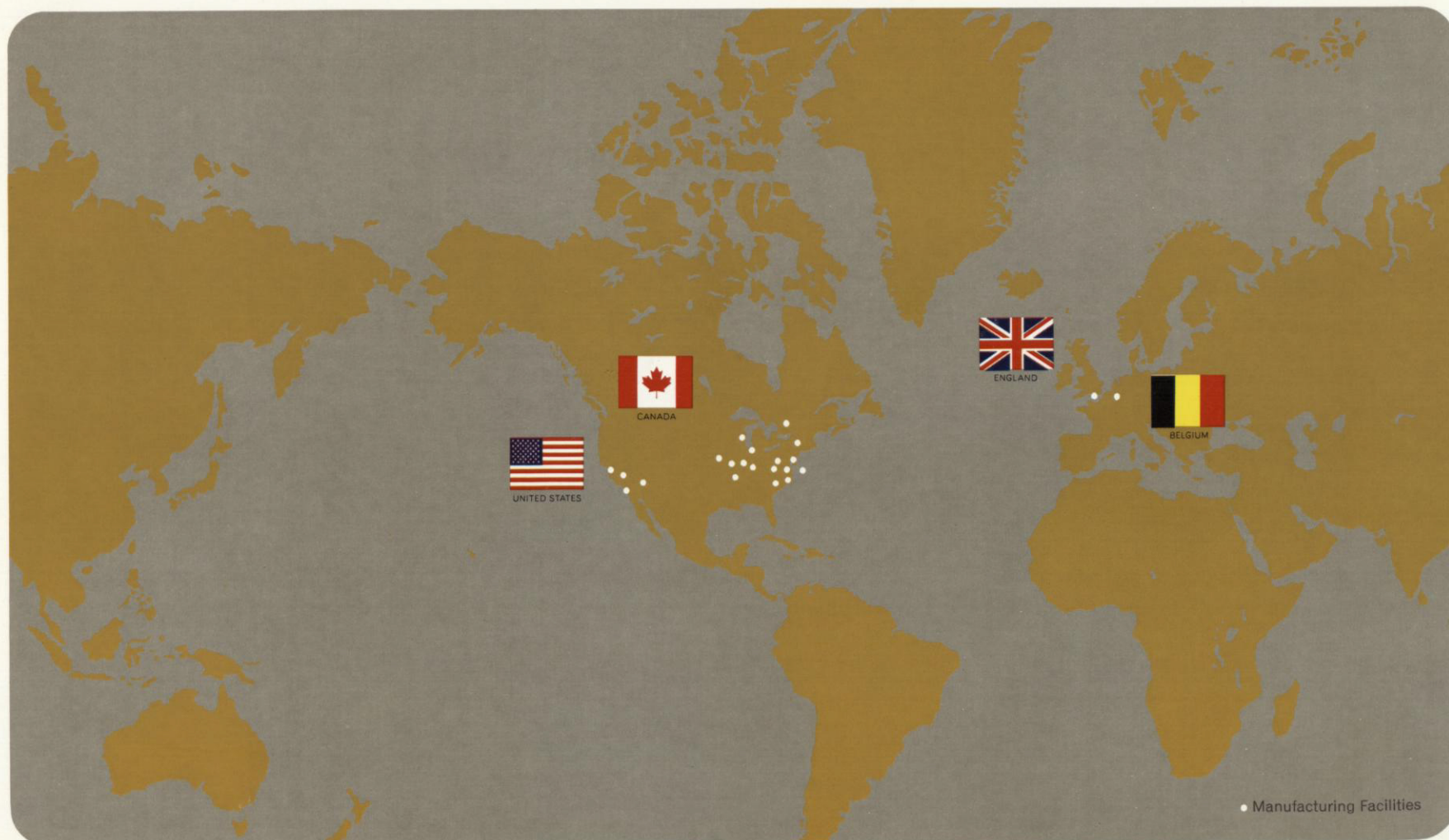
low-cost plastic container that looks like glass. The high degree of clarity achieved by IMCO's process is unexcelled.

TUPCO: Formerly operated as Farnumsville Plastics, Inc., TUPCO's precision engineered injection molding facilities manufacture custom molded plastic products including container caps and closures. TUPCO has the personnel and equipment necessary for the efficient production of items having design characteristics that were previously thought too impractical to manufacture. In 1964, TUPCO doubled its volume.

WHITE METAL: Continuing to pioneer in collapsible metal tubes, White developed a special lacquering process that will permit the use of

lightweight aluminum tubes instead of lead for fluoride based toothpaste products, considerably reducing costs. It is anticipated that this process will also become important for many pharmaceutical, proprietary drug, cosmetic and food products. During the year White Metal increased the output of its rolled aluminum plant and anticipates an increased sale of collapsible tube slugs to other impact extruders.

CONSOLIDATED THERMOPLASTICS FILM: During the year, the Film Division improved its plants and equipment in California and Rhode Island and added 40,000 square feet to its Wisconsin facility. Volume has been increased through continued emphasis on quality and tech-



nology which is accepted as among the finest in the industry. Research work continues to create processes to make better polyethylene films and develop new films from other plastics.

NEW MARKETS DIVISION: The functionality and marketability of Rexwel continuous extruded plastic mesh was proven in 1964. The Company's facility at Mahwah, New Jersey is producing a wide variety of plastic mesh for the garment, packaging and filter industries. The garment industry has found that Rexwel has wash, dry clean and ironing characteristics superior to other traditional backing materials. Mesh bags for fresh produce offer better appearance and more uniform rigidity than competing items. Filter

manufacturers have found Rexwel cheaper, more durable and less corrosive than metal for inner cores and outer sleeves. Several promising new products are currently under investigation.

COMBI-CLIP®: Rexall's plastic clip for multipack canned products was successfully introduced by a Denver brewery in 1964, widening its distribution and increasing its share of the market.

These clips are applied at the rate of 1200 cans per minute by a machine developed by Rexall and leased or sold to manufacturers. Market tests are underway with several of the nation's leading breweries.

INTERNATIONAL PACKAGING & PROCESSING: The objective of this new division is to create

packaging operations overseas comparable to our domestic operations. This enables us to market on a broader base products and techniques developed domestically. Currently we have operations in England, Belgium and Australia. Negotiations are underway for fabricating facilities in Spain.

S.E.P., our plastic container facility at Ghent, Belgium, has started a 60% plant expansion. In England, IMCO continues to increase its sales of blow molded plastic containers.

Rexwel extruded plastic mesh is produced in Belgium under the name Rex-O-Net®. Sales activities have been extended into most common market countries as the product has been well received in the agricultural industry.



(1) FILM DIVISION: T. E. Fritscher, Vice President, Production and Engineering; J. H. Gauss, Vice President, Sales; J. DeCaprio, President; (2) NEW MARKETS: E. S. Elgin, President; (3) COMBI-CLIP: C. F. Massopust, President; (4) INTERNATIONAL PACKAGING AND PROCESSING: E. M. Davis, Managing Director; (5) EUROPEAN PACKAGING AND PROCESSING DIVISION: W. Vanden Busshe, S.E.P. Production Manager; H. H. Peter, Vice President, New Markets Division, Europe; P. E. Austin, Managing Director, IMCO, Golborne; E. Halffter, Spain; T. R. Eckelberry, Chairman, European Packaging and Process Division; E. Lincoln, Spain; F. De Mey, Managing Director, S.E.P.; J. Wines, Controller; J. Porqueras, Spain.

RUBBER AND COTTON PRODUCTS

THE SEAMLESS GROUP: In 1964, the activities of the Seamless Rubber Company and the Absorbent Cotton Company, ACCO, were reshaped and their marketing and sales activities fully integrated. Heretofore operating in many areas, the new Seamless Group is now focusing its attention on the three major growth areas within the scope of their capabilities: Hospital products; consumer rubber and cotton products; industrial

rubber and cotton products. Coupled with this new marketing effort have been intensified research, development and cost reduction programs.

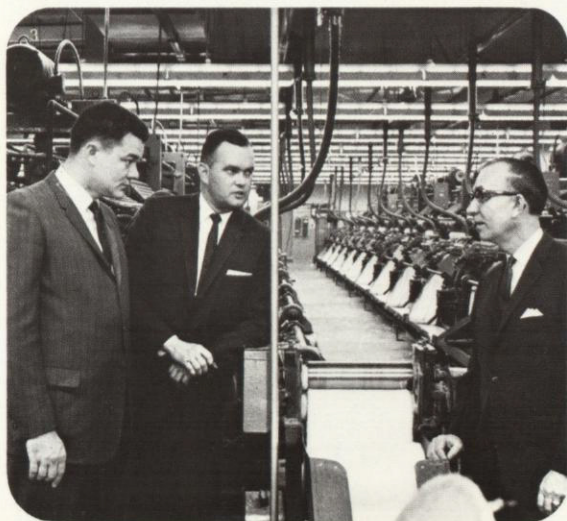
HOSPITAL SUPPLIES: To further enhance Seamless' strong position in surgeon's gloves, disposable latex and plastic gloves have been added to give Seamless the only complete line. A variety of disposable surgical dressings has been introduced to capitalize on the growing disposable market.

CONSUMER PRODUCTS: Growth continues in Seamless' line of basketballs, footballs, soccer balls, skin diving equipment and other recreational products. Rubber sundries, feminine hygiene products and household cotton products are being repackaged and distribution

established in mass merchandising and other high-volume retail outlets.

INDUSTRIAL PRODUCTS: Concentration has been centered on proprietary industrial products such as mining and public utility safety devices and pipewrap tape. Cotton filler, used in tablet packaging, continues to be an important factor.

ABRASIVES: Part of the Seamless Group, United Cotton Products Company (U. C. P.), heretofore specialists in industrial abrasives, has turned its technical know-how and creative skill towards a line of consumer products. "Do It Yourself" cutting and grinding wheels are being manufactured under UCP's Rex-Cut label and for leading companies in the home improvement and construction industries.



(1) SEAMLESS: W. H. Madden, Jr., President of the Seamless Group and President of Seamless Rubber Company; A. H. Kuhn, Vice President, Manufacturing, Seamless Rubber Company; (2) SEAMLESS RUBBER: P. M. German, Vice President, Marketing; A. E. Depew, Vice President and Controller; (3) ACCO: M. D. London, Vice President, Factory Manager; J. R. Gibbons, President; M. W. Westphalen, Controller; (4) U.C.P.: R. H. Hurst, President; (5) COLORITE: P. H. Seckel, Vice President; Jules Besserman, President; M. Weiss, Chairman; (6) KRALOY/CHEMTROL: W. H. Baudouine, President; D. W. McDonald, Controller; A. E. Webb, Vice President, Sales; (7) COLORITE PRODUCTS: Ablex flexible hose, "all year" garden hose, ball point pen barrels and sleeves.

POLYVINYL CHLORIDE FABRICATING

The activities of Colorite, acquired in 1964, are being combined with Kraloy/Chemtrol to provide polyvinyl chloride fabricating, research and marketing facilities on the East and West Coasts.

Colorite brings to Rexall an entirely new line of plastic products. Work is underway to expand Colorite's international facilities. Rexall's blow-molding operation in Belgium will soon manufacture their European products, heretofore supplied through licensing arrangements.

COLORITE DIVISION: Colorite's Paterson,

New Jersey facility produces over 15,000 miles of garden hose annually, which is sold under Colorite®, other company-owned names and private labels. In 1964, Colorite introduced an all-year garden hose that coils at freezing temperatures, yet can withstand high pressures.

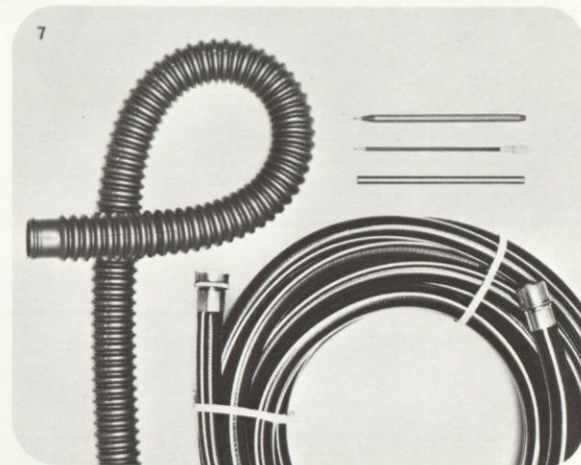
ACTION DIVISION: Colorite produces high-quality tubing products for industry, including aerosol syphon tubing and ball point pen barrels. **Ablex®** flexible hose used in swimming pool vacuum cleaners is made by extruding polyethylene and forming it in one continuous operation. It is lighter, less expensive and tougher than competitive products.

UNICHEM® DIVISION: This division compounds most of the materials used in its products.

UNICHEM® compounds are also sold to a number of leading chemical companies.

KRALOY/CHEMTROL: Until this year Kraloy's plastic electrical conduit systems have been extruded primarily from polyvinyl chloride. Now, Kraloy/Chemtrol has developed a line of products from a new plastic, acrylonitrile-butadiene-styrene (ABS), recently approved in the West for public utility systems. It provides a thinner walled, lighter and less expensive product than conventional asbestos cement and fiber materials.

Kraloy/Chemtrol has increased its extrusion capacity and its sales distribution system, resulting in record production. Industry sources estimate that the plastic pipe industry will grow 20% annually over the next five years.





Hamer Wilson, President, Tupperware Group.

Tupperware*

The Tupperware home party plan is unmatched for simplicity and effectiveness in marketing the world's finest plastic housewares.

Tupperware home parties have been accepted by millions of consumers the world over as a convenient, welcome service. Personalized demonstration meets consumer demand for product information; the relaxed, informal nature of a typical party makes buying easy, and parties fill a social function as well.

The person in whose name the party is held is called a "hostess." She invites "guests," usually from her neighborhood. Tupperware's tens of thousands of independent

dealers conducted millions of parties, delivering an in-person sales message to many millions of homemakers.

Most Tupperware dealers are married women, and as homemakers themselves, communicate with a persuasive naturalness. Consumer confidence and brand loyalty are maintained at high levels. Rare consumer dissatisfaction is resolved quickly, and in person.

The home party plan is also an extremely flexible marketing vehicle. For example, a new product can be released for sale one day and be demonstrated in thousands of homes the next. Promotion capitalizing on current trends can be put into effect virtually overnight.



TUPPERWARE

TUPPERWARE UNITED STATES: Further strengthening its position as the foremost brand in plastic housewares, Tupperware recorded solid sales gains in 1964. Extensive independent research in late 1964 substantiates that Tupperware® is a widely known trademark. Brand awareness is high and universally favorable, indicating consumer demand will continue to climb. Tupperware is also capitalizing on the

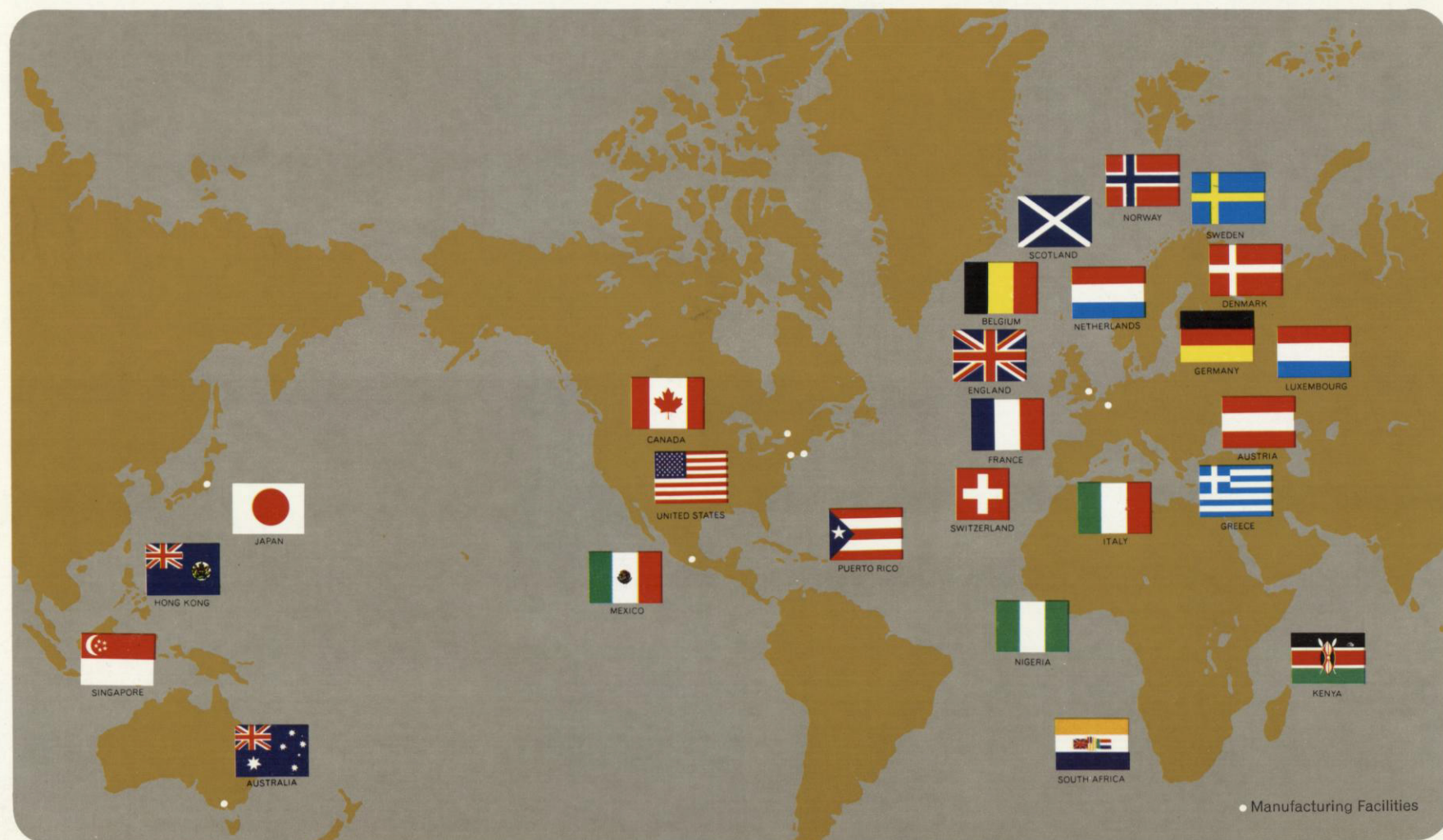
mushrooming growth of camping, boating and outdoor recreation.

Analysis shows overall market potential is great, and that major growth can be forecast in the next five years. Regional offices have been established to increase contact with the expanding sales force. Tupperware entered 1965 with the largest dealer count in Company history.

TUPPERWARE WORLDWIDE: In 1960, Tupperware began its first overseas market test operation in London. By 1966, the overseas market is expected to equal USA sales volume. Tupperware's basic home party plan and product line are used in overseas markets, allowing rapid, economical expansion into new areas. Adjustments are made in product lines offered in different nations to

agree with national customs and potential demand. Nationals of each country are employed to head sales and manufacturing operations. Decisions involving sales, sales promotion and advertising activities are therefore geared to specific demands of each marketplace, although home party plan procedures refined domestically are universally applied. Executives from Tupperware's international headquarters at Orlando, Florida are used to train nationals in new markets, counsel overseas executives on specific marketing approaches and to assist in manufacturing operation start-ups.

UNITED KINGDOM: With 1964 sales gains, the UK position is extremely strong for 1965 expansion. British acceptance of Tupperware products



and its home party plan are now established at high level. Food buying habits, major appliance sales trends and an expanding "middle class market" will contribute to England's '65 growth.

EUROPE: Tupperware established itself strongly in the Scandinavian countries during '64, resulting in substantial sales gains. Danish, Swedish, and Norwegian national customs in food preparation, storage and serving favor Tupperware's basic product function. Markets are also being further developed in Austria and Switzerland.

Tupperware's established position in the European Common Market produced substantial gains in 1964. Increased per capita discretionary income is increasing the demand in Europe for Tupperware products.

In 1964 to meet growing demands, the Tupperware executive staff was doubled and warehouses added in several countries. Tupperware is expanding to four more European countries.

CANADA: All marketing operations for Canada were centralized at Tupperware's Toronto offices in 1964. More efficient sales and promotional activities geared to demands of the Canadian marketplace have produced significant sales increases and are expected to produce accelerated growth.

AUSTRALIA: Australian sales were up in 1964. Acceptance of American ideas and customs continues undiminished. Tupperware adds this factor to an ideal product message and plan of sales, an effective combination which will continue to pay dividends in 1965.

JAPAN: 1964 sales projections for this market proved conservative as Japanese homemakers bought in large volume. Expansion of staff and a sharp increase in field personnel are a prelude to gains in 1965. Acceptance of American concepts and food customs favor Tupperware.

CENTRAL AND SOUTH AMERICA: Early market evaluation and research activities indicate selected Central and South American markets can be developed in the successful pattern of other overseas operations. Plans are progressing to set up sales facilities in many of these areas.

AFRICA: 1964 market research efforts in Nigeria, Kenya and South Africa have been very encouraging and indicate solid potential for expansion of Tupperware activities.



(1) TUPPERWARE, U.S.A.: G. J. McDonald, Executive Vice President; Hamer Wilson, President; J. Hara, Vice President, Sales; (2) TUPPERWARE ENGLAND: K. Barritt, M. Wishaw and G. Tozer, Regional Managers; Miss J. Jackson, Home Economist; H. Pond, Sales Promotion Director; D. Clancy, Managing Director; J. Geeson, Sales Director; M. Elkins, Sales Promotion Manager; P. Bunn, Regional Manager; R. Whealing, Administrative Director. Not shown—D. Nicholson and R. Karie; (3) TUPPERWARE EUROPE: R. Battistich, J. Vincent, J. Steichen, R. Schindfessel, M. Michelet, J. Ellend, P. Lousberg, S. Abrahamson, N. Baillen, President; R. Bodson, P. Alkema, C. de Leusse, H. Hellman, S. Khoury, J. Parizot, R. Minvielle, M. de Resseguier, A. Belluzzi, K. Meier, A. Papadakis; (4) TUPPERWARE, CANADA: J. K. McCall, President; (5) TUPPERWARE, AUSTRALIA: M. Welsh, Managing Director; (6) TUPPERWARE, JAPAN: J. W. Dart, Jr., President.



WORLDWIDE RESEARCH

RESEARCH AND DEVELOPMENT: Tupperware's concept is based on unique products; either they perform their function better than others or have a multiplicity of uses. These are clearly demonstrated at Tupperware home parties, showing why Tupperware products, although premium priced, give the consumer more for her money. The fact that Tupperware's big business

is its repeat business indicates the validity of this concept. The development of new plastics from which both new and existing products are made is also an important part of Tupperware's research and development program. In the past year, new impact styrenes, polypropylene and other new copolymers have been developed for use in Tupperware products. These plastics in the future will permit Tupperware products to be subject to more extreme temperatures, to come in contact with more corrosive fluids, and permit a wider range of shapes, sizes and colors.

Machine and process development is an important part of the research and development group. Tupperware designs and makes many of the intricate molds for its products.

DIECRAFT: During the last year, Rexall acquired Diecraft Engineering (Pty.) Ltd., of Melbourne, Australia, one of the world's finest mold makers for plastic products. New facilities are currently under construction for occupancy in 1965.

SAREX: Located in Switzerland, Sarex is now concentrating its efforts in creating molds for Tupperware products. By mid-1965, Sarex will be supplying molds to Tupperware manufacturing facilities in the United States, Canada, Belgium, England and Japan.

Tupperware's research and developmental skill, combined with Diecraft's and Sarex's mold making skill, will enable Tupperware to continue to provide superior products for demonstration and sale at Tupperware home parties.



WORLDWIDE MANUFACTURING

Australia and Japan provide the high quality products necessary to meet the rigid Tupperware standards worldwide. In the United States, the Blackstone, Massachusetts plant continues to be the largest injection molding facility in the world. Modern machinery supplied with the latest in plastic resin developments provides Tupperware products for domestic markets. Up-to-date bulk handling equipment and massive cooling equipment support these machines.

Over 400 different, carefully engineered and precision built molds are used to make over 180 different Tupperware products in the United States. Most of these products are also manufactured in Tupperware facilities overseas.

In Belgium a larger plant, near Aalst, a few

miles from Brussels, has been purchased and is being fitted to replace facilities at Erembodegen. This 250,000 sq. ft. plant will ultimately double Tupperware's present European capacity. At Wigan, England, a 300,000 sq. ft. facility, new machinery has been added to expand capacity. Construction has started in Mexico on a plant to supply Tupperware products in Mexico and other Latin American countries. Japan's 85,000 sq. ft. Tupperware facility at Okazaki was recently completed and is now serving the Japanese market.

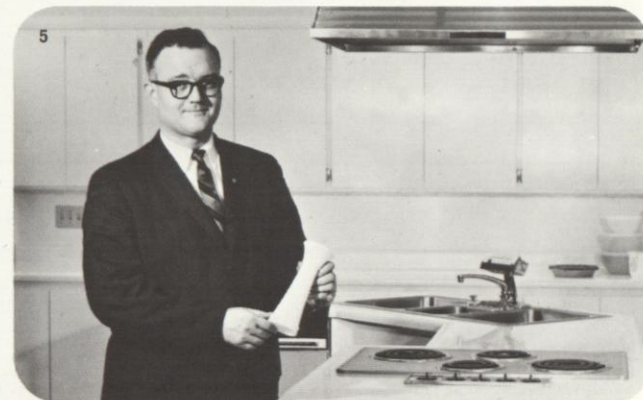
Investigation into plant sites in other countries is underway, thus keeping pace with the expansion of Tupperware Home Party selling organizations as they extend their spheres of activity to additional countries around the world.

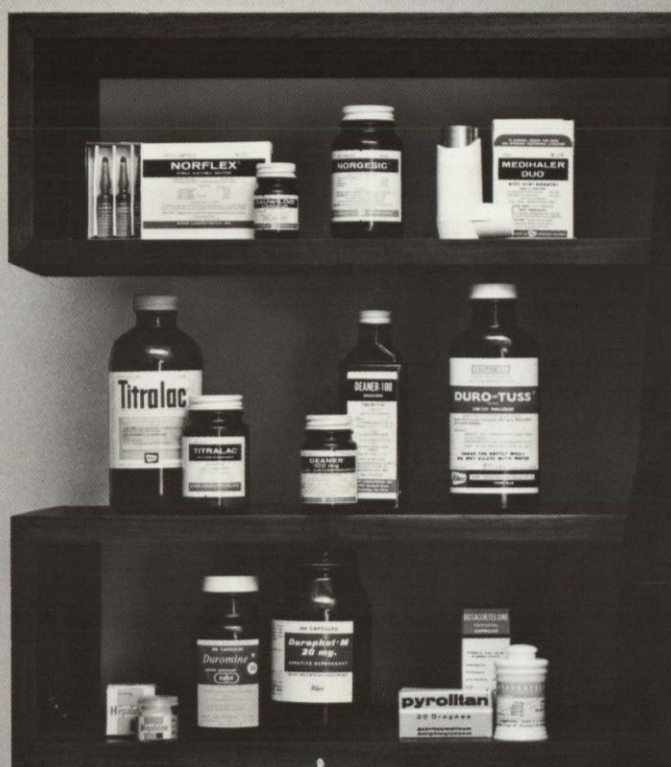
Extensive Tupperware manufacturing facilities in the United States, Canada, Belgium, England,



TUPPERWARE MANUFACTURING: (1) John Ansley, President with traditional Tupperware items (right) and new items. (2) **DIECRAFT:** N. McLoughlin, Plant Manager; J. Rabin, Managing Director; Peter Mukavec, Toolmaker. (3) **SAREX:** F. Gendreau, Managing Director; (4) **TUPPERWARE RESEARCH AND PRODUCTION:** Front, left to right, J. J. Rapp, Vice President, Overseas Production; G. E. Tucker, Plant Manager, England; R. E. Snow, Chief Engineer of Plants and Properties; J. Ansley, President of Manufacturing;

R. R. Bottleman, Vice President, Engineering; rear: J. Coubergs, Plant Manager, Europe; W. D. Clark, Vice President, Controller; G. R. Zeek, Vice President, Manufacturing; J. B. Swett, Vice President, Product Development; R. E. Morley, Plant Manager, Australia; P. J. Balcom, Plant Manager, Canada; J. A. Brousseau, Traffic Manager; (5) W. Bond, Vice President, New Products, in new Tupperware Home Parties test kitchen.





George L. Maison, M.D., President, Riker Ethical Drug Group.

Riker-Ethical Drugs

Riker was the first postwar diversification effort of your Company. Developed from within Rexall, its products were first marketed in 1950. Riker has grown every year since, with 1964 showing the greatest increase. The ten Riker companies, each in a different country, have each contributed to the better than expected results in 1964.

Riker has always budgeted to spend 12% of sales on product development. This compares favorably to an industry average of 7.8%. Riker research and development

activities take place in autonomous Riker research centers located in different countries.

It is the objective of Riker's 500 man worldwide detail force to fix a few products firmly in the mind of the physician, rather than offer a wide variety. This awareness of the products is created through a service to the physician rather than by a hard sell. Each managing director is responsible for choosing the products that fit the needs and temperament of the physicians in his country.

RIKER MANAGING DIRECTORS: rear, (l. to r.) N. Berkoff, Argentina; D. R. Kettelhack, West Germany; R. E. Holmes, South Africa; J. W. Stutzman, M.D., United States; H. G. McWatters, Canada; R. J. Preiss, Australia; front, (l. to r.) J. A. Lumley, England; M. Revesz, Mexico; G. L. Maison, M.D., Group President; Miss K. I. White, New Zealand; J. R. Costa, France.



RIKER PRODUCTS

Products in the Riker line with a firm place in the minds of physicians in certain countries include:

MEDIHALER®, the first metered dose, self-powered aerosol pharmaceutical, is a byword in nine of the Riker countries. Sometimes said to

be the largest selling item in the world for asthma, over 25 million units have been sold since 1956. Patents on this development have been issued to Riker in most of the industrialized countries of the western world.

NORFLEX®, a muscle relaxant widely known in many countries, is effective in relieving back strains, "wry" necks and similar muscle spasms. For instant relief it can be injected but the favorite method is tablets. Developed from a chemical licensed to Riker by Brocades-Stheeman of Holland, its sphere has grown ever wider over the past five years.

NORGESIC®, also based on Dutch discovery, was the first U.S. Riker release after the recent

two-year new product jam in the United States. In less than one year, it has achieved widespread popularity as a non-narcotic analgesic in moderate pain of any origin. Other countries as well, particularly in the sterling group, have enjoyed its effectiveness for several years.

DUROPHET® AND DUROMINE®, appetite suppressing agents, are widely acclaimed in the U.K. and other sterling countries. Licensed from the patents of Strassenburgh, they provide all-day action from a single morning capsule.

DUROTUSS®, a cough-alleviating syrup of prolonged and dependable action, popular in Australia, is based on the same licensed principle. Approved by the Canberra health authorities,



it qualifies for prescription repayment by the health service.

RAUWILOID®, Riker's second drug discovery (1953), continues to be widely prescribed but especially in New Zealand and in the U.K.

A mild agent for lowering of high blood pressure, it was the first derivative of Rauwolfia Serpentina root (India) marketed in the United States.

HEPALIDINE®, a highly successful release of the youngest Riker Company (France), presents a new therapy for disorders of the liver. In a few months, it has achieved widespread distribution and sales significant of satisfying results in the hands of French physicians.

PYROLITAN®, in Germany, has come to mean

effective relief of rheumatic symptoms just as in Mexico does Butacortelone®. Two entirely different formulae are involved. Both are significant of the creation of a trademark recognition based on a pleasing and elegant presentation of widely known medicaments.

DEANER® 100, is well known in Argentina where it is widely prescribed to improve behavior and learning speed of children. Administered as tablets on a three times per day schedule, its action comes on slowly over a period of three to four weeks. An agent with few and very mild side actions, it was the first anti-depressant agent marketed in the U.S. and has found popularity through improving the power to concentrate.

TITRALAC®, has been a favorite tablet for countering stomach acidity and resultant digestive distress for over 15 years. Notable for its pleasant taste, its non-systemic action is free of side effects and it continues to win new friends each year. Riker acquired it in the purchase of SchenLabs Pharmaceuticals in 1960. Since that time its growth curve has been accelerated.

The Riker Managing Director's wisdom in selecting only those Riker products for strong promotional effort that will best fit the needs of the physicians of his country assures the continuing growth of your Company's ethical drug business.



Riker medical convention display booth.



Award winning Norflex® package.

WE FEATURE *Rexall* QUALITY PRODUCTS



John Bowles, President, Rexall Drug Products Group in Rexall's display laboratory.

We expect substantial increases in sales and profits for the Chemical Group in 1965.

PACKAGING: The purchase of Colorite Plastics, Inc., one of the country's best known manufacturers of PVC plastic garden hoses and an important producer of specialized tubing, was completed in October. This addition will complement the Kraloy/Chemtrol division of your Company, now wholly owned, by combining the manufacturing and research activities of the two companies. Additions of IMCO Container production facilities in three key markets in the United States improved the results of this division. Our development of a process for blow molding PVC containers should favorably affect 1965.

Early in 1965 our Company acquired the assets of Thompson Industries. Thompson is a major manufacturer of foam polystyrene drinking cups and lids. Its headquarters, main plant and machine making facility are located in Phoenix, Arizona. Additional fabricating facilities are located in Atlanta; Red Bank, New Jersey; Chicago; South San Francisco and Monrovia, California.

RIKER ETHICAL DRUGS: Government approval of the ethical drug Norgesic® was granted in 1964. Introduced by Riker, U. S. A. last spring, sales of this pain relief product have exceeded expectations. With continuing increase in efficiency of processing new drug applications by the Food and Drug Administration, other new

Riker products will be forthcoming.

Other divisions of your Company continued to make progress in the past year and the growth prospects continue to be attractive.

OUTLOOK: The Board of Directors and Corporate Officers join me in thanking the men and women of Rexall, many of whom are pictured in this report, for their dedicated efforts. We look forward to continued progress in 1965.

Respectfully submitted,

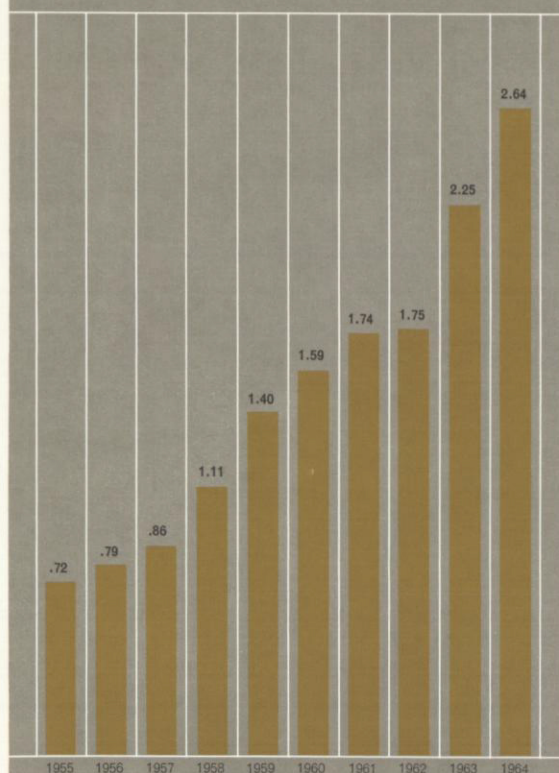
Justin Dart

Justin Dart, President

March 19, 1965

CASH FLOW PER SHARE

Adjusted for stock dividends
and stock split

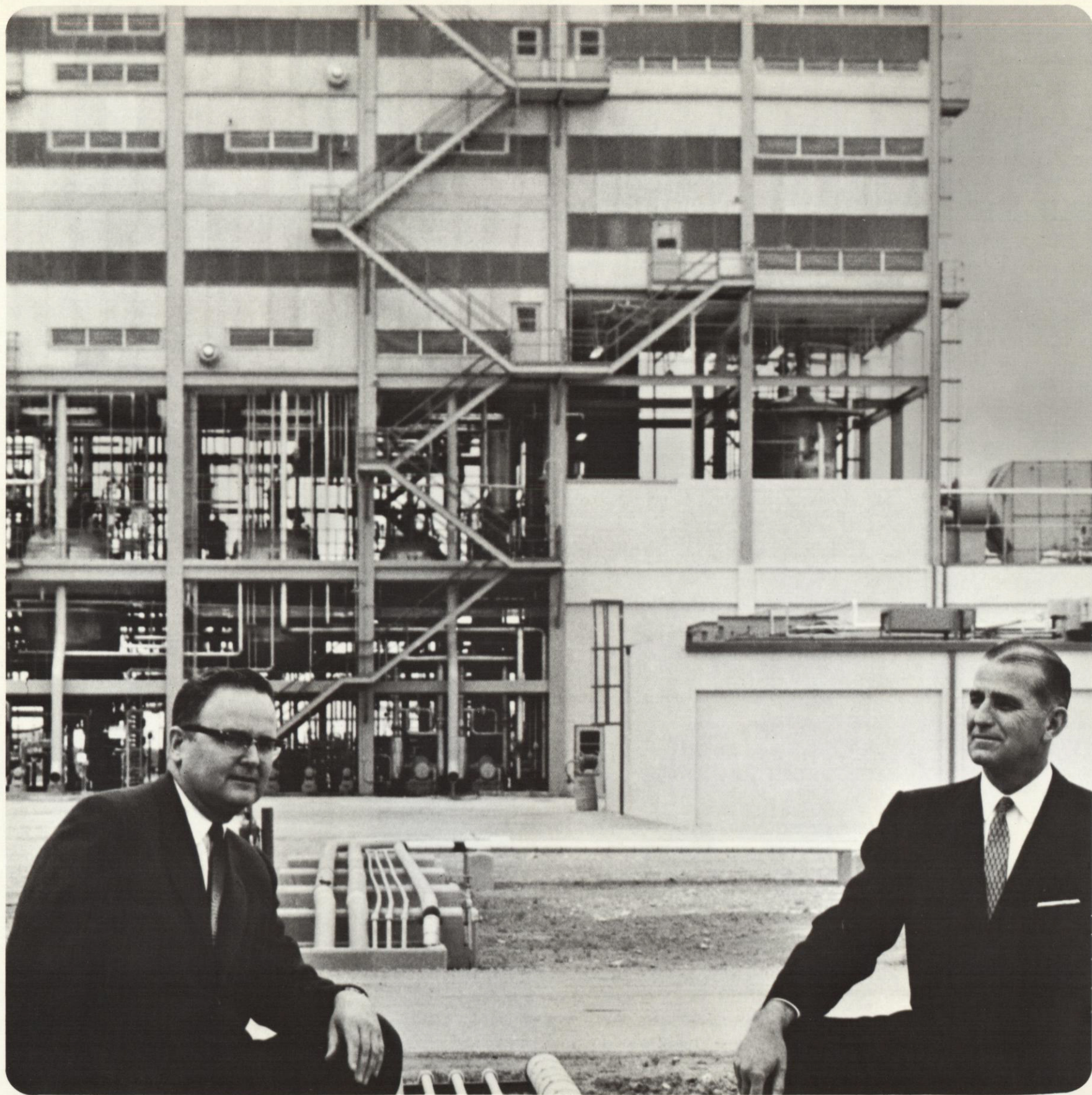


SOURCE AND APPLICATION OF FUNDS

	1964	1963†
SOURCE		
Cash flow*	\$25,858,000	\$21,646,000
Sale of properties and investments (excluding gain)	2,791,000	2,862,000
Other, net	2,002,000	609,000
TOTAL FUNDS PROVIDED	\$30,651,000	\$25,117,000
APPLICATION		
Properties and other assets purchased	\$18,395,000	\$16,266,000
Dividends paid	2,528,000	2,318,000
Net decrease in long term debt	1,158,000	3,443,000
Working capital increase	8,570,000	3,090,000
TOTAL FUNDS APPLIED	\$30,651,000	\$25,117,000

†Restated—see note 3 to financial statements.

*Net earnings, plus depreciation and amortization, and provision for deferred taxes.



Rexall Chemical Company President Ralph M. Knight (left) and El Paso Natural Gas Products Company President William D. Noel at the new joint venture polypropylene facility.

Chemicals

Petrochemicals are proving a successful new field for Rexall. The Company's activities in plastics now include polyethylene, polypropylene, polystyrene and polyvinyl chloride, the fastest growing segments of the plastics field.

Part of this activity has been undertaken in a joint venture, at Odessa, Texas, with the El Paso Natural Gas Products Company. Low cost raw materials available in the Odessa area, coupled with a highly efficient process, developed by your Company, make it possible to produce high-quality low-cost resins for the marketplace.

Intensive efforts continue on product and process

improvement to provide your Company with a highly competitive line of plastic products and a product mix with a high return on investment.

The joint venture's and Rexall's own plastic packaging and fabricating companies are important consumers of plastic resins. These resins, marketed under the El Rex brand, have achieved significant positions in the market because of their quality and adaptability to a wide range of applications. The growth of plastics over the past few years has been dramatic and market projections indicate this rapid growth will continue.

REXALL CHEMICAL COMPANY (left to right): B. B. Kuist, Vice President Engineering and Construction; C. A. Setterstrom, Vice President Marketing; R. M. Knight, President; M. Erchak, Jr., Vice President Research and Development; G. W. Mefferd, Vice President Financial; O. M. Ernst, Vice President Planning and Development; A. B. Wintringham, Administrative Director; J. R. Provo, Vice President Production.



CHEMICALS

POLYETHYLENE: Rexall's largest investment within the Chemical Group is in the manufacture of low density polyethylene. Rexall has the responsibility for developing, producing and marketing the line of El Rex brand polyethylenes for the joint venture.

The joint venture's 120 million pound per year

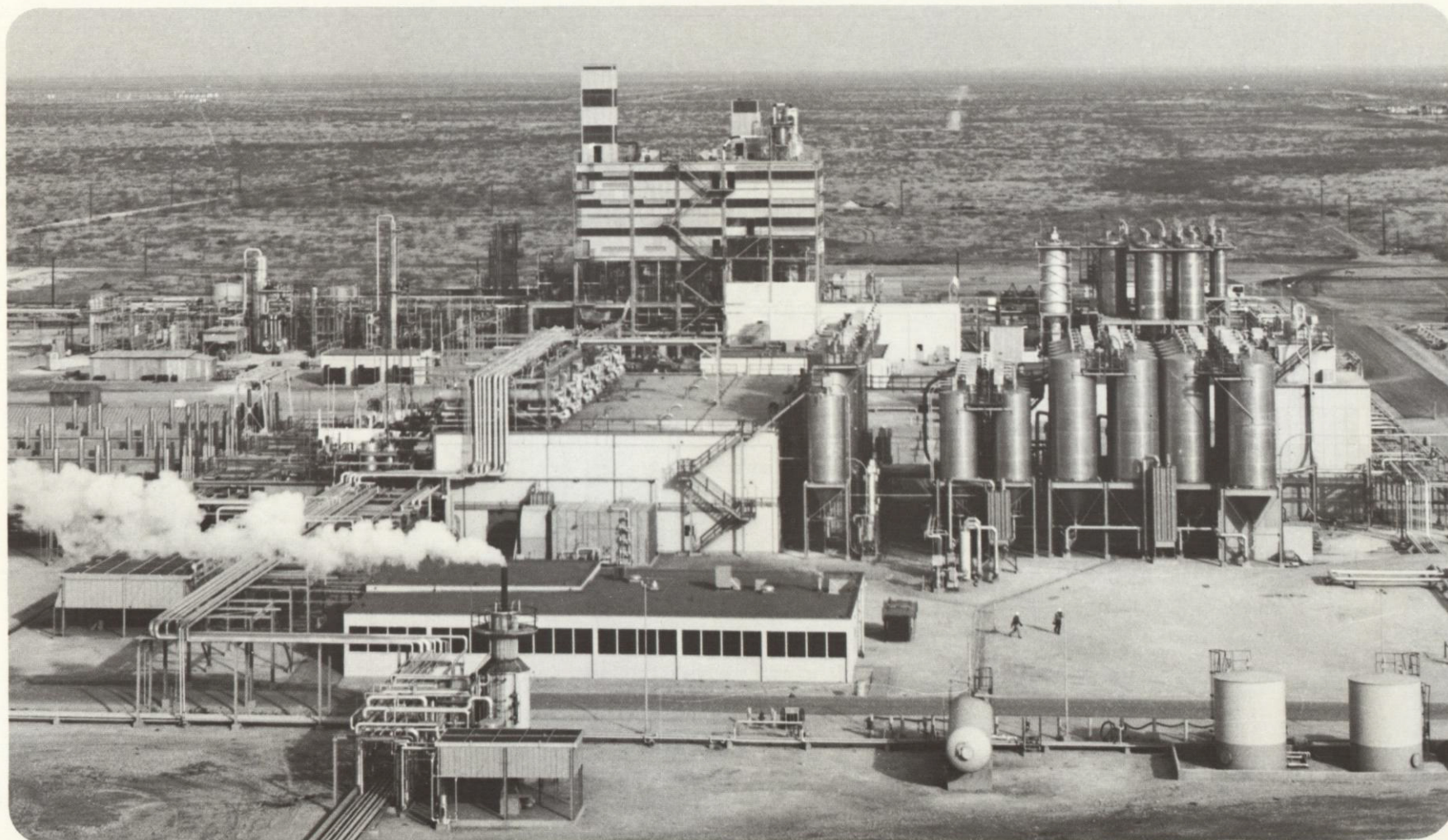
plant at Odessa, Texas went on full stream in 1963. In 1964, with minor modification, capacity was raised to 145 million pounds, yet sales of El Rex polyethylene continued to exceed capacity. Major expansion work is currently underway to increase capacity to 250 million pounds. Part of the expansion will include facilities to provide a new line of polyethylene resins for the growing paper and wire coating industries.

Polyethylene has become more competitive with glass, paper and metal, accelerating consumption. In 1964, prices stabilized, yet market growth continued. Current projections are that the total market is expected to grow about 70% in the next ten years.

POLYPROPYLENE: Expected to enjoy one of the

fastest growths in plastics, polypropylene is becoming an extremely important resin, especially in films and fibers. The joint venture's 30 million pound per year polypropylene plant went on stream in 1964. Our original projections that the rapid growth of polypropylene would soon eliminate the excess capacity in the industry is being substantiated. A growth in excess of 400% is expected in the next 10 years.

Our facility, based on our own new process, is providing a superior product and is designed for easy adaptability to new copolymers with a minimum additional investment. In 1965 we will continue refining our production techniques to raise our capacity to 40 million pounds. We expect Rexall's polypropylene operation will generate



Joint venture petrochemical complex, Odessa, Texas.

a small profit at the end of 1965, and make important profit contributions in 1966.

Our Rexall Chemical Company team has developed our process, engineered its construction and now operates our facility. They have put a fine product on the market in a brief period of time.

OLEFINS: Expansion is currently underway at Odessa to increase the production of ethylene and propylene for the joint venture to meet the increasing demand of our adjacent polyethylene and polypropylene facilities. Production will be raised from 270 to 425 million pounds annually. The olefins plant was originally designed to permit an increase in capacity with a minimum amount of additional investment.

ABS: Early in 1965 plans for Rexall's wholly

owned acrylonitrile-butadiene-styrene (ABS) facility, to be located in the Midwest, were formulated. Rexall's ABS plant will have an initial capacity of 33 million pounds annually and is expected to be completed by mid-1966. It will utilize a process developed by Rexall.

ABS was first introduced in the late 1950's. It has grown from a 20 million pound industry in 1960 to 160 million pounds forecast for 1965. Consumption should exceed 600 million pounds annually within the next 10 years. ABS is achieving this rapid growth because of its superior performance. Its combination of hardness, toughness, chemical resistance and attractive appearance has created important markets such as telephone sets, refrigerators, high quality luggage,

shoe heels and automotive parts. It is competing successfully with lower cost resins and, in some cases, metal.

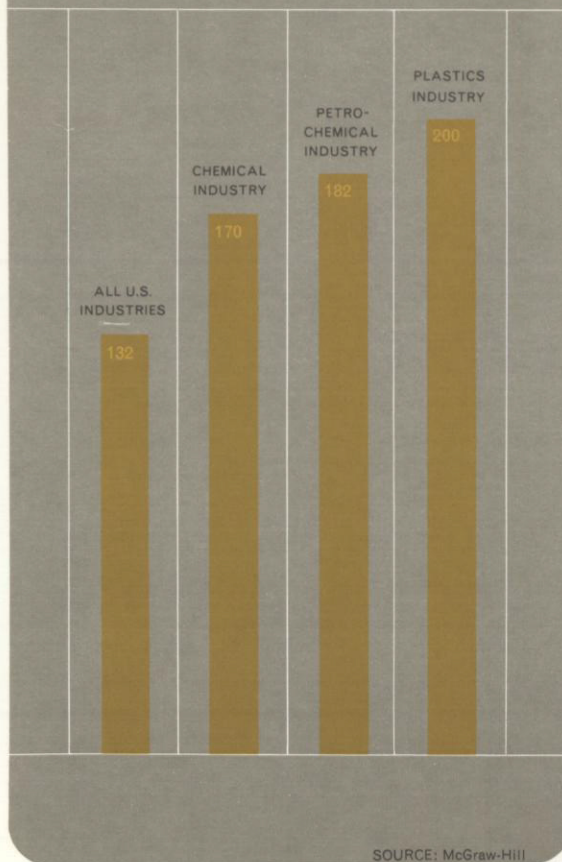
POLYSTYRENE: Product and process improvement resulting from our wholly owned development and production activities have accelerated the acceptance of our polystyrene resins. Sales are currently in excess of our 35 million pound annual capacity. Industry consumption of polystyrene continues to grow.

PHARMACEUTICAL CHEMICALS: In 1964, a six week strike, now settled, at the Kearny, New Jersey plant affected sales and profits.

New products are in intermediate stages of development, and improved profit and sales are expected in the year 1965.

PLASTICS • A GROWTH INDUSTRY

Estimated growth 1965-1975
(index: 1965 = 100)



Odessa olefins plant: ethylene and propylene feedstock for polyethylene and polypropylene plants



Donald H. Brewer, President, Packaging Group.

STATEMENT OF FINANCIAL POSITION

December 31, 1964 and 1963

Rexall Drug and Chemical Company
and its consolidated subsidiaries

	1964	1963 (restated—note 3)
CURRENT ASSETS		
Cash and short term securities	\$ 27,139,000	\$ 30,757,000
Accounts and notes receivable, less reserve	47,299,000	37,515,000
Inventories, at cost or market, whichever lower	64,375,000	55,241,000
Prepaid expenses	1,566,000	996,000
	140,379,000	124,509,000
CURRENT LIABILITIES		
Accounts payable	17,282,000	13,643,000
Accrued compensation and taxes thereon	5,939,000	5,619,000
Other accrued expenses	11,938,000	9,166,000
Current instalments of long term debt	3,961,000	3,403,000
Estimated United States and foreign income taxes	6,999,000	6,988,000
	46,119,000	38,819,000
Working capital	94,260,000	85,690,000
INVESTMENTS, PROPERTIES AND OTHER ASSETS		
Investment in United States subsidiaries not consolidated, at cost less reserve	2,778,000	2,790,000
Other receivables, deposits and investments, less reserve	7,215,000	9,389,000
Properties, at cost less accumulated depreciation	72,431,000	63,873,000
Deferred charges	888,000	789,000
Intangibles, at cost less amortization	10,880,000	11,184,000
	94,192,000	88,025,000
Working capital and all other assets	188,452,000	173,715,000
LONG TERM DEBT AND OTHER DEFERRED LIABILITIES		
Long term debt, less current instalments	55,697,000	56,855,000
Deferred United States and foreign income taxes	8,100,000	7,200,000
	63,797,000	64,055,000
Total net assets representing stockholders' equity	\$124,655,000	\$109,660,000
STOCKHOLDERS' EQUITY		
Capital stock of Rexall Drug and Chemical Company Authorized 25,000,000* shares, par value \$1.25 each Issued 9,808,070* shares in 1964 and 9,356,254* shares in 1963	\$ 12,260,000	\$ 11,695,000
Capital in excess of par value per accompanying statement	49,479,000	43,817,000
Retained earnings per accompanying statement (Of the 1964 amount \$8,495,000 is reserved for a 3% stock dividend of 294,201 shares payable March 12, 1965)	63,026,000	54,200,000
	124,765,000	109,712,000
Less cost of reacquired capital stock, 5,130* shares in 1964 and 11,254* shares in 1963	110,000	52,000
Total stockholders' equity	\$124,655,000	\$109,660,000

See accompanying notes to financial statements.

**after giving effect to 2 for 1 stock split in 1964.*

NOTES TO FINANCIAL STATEMENTS

Rexall Drug and Chemical Company
and its consolidated subsidiaries

(1) DETAILS OF STATEMENT OF FINANCIAL POSITION

	1964	1963 (restated—note 3)
<i>Accounts and Notes Receivable:</i>		
Trade, including subsidiaries not consolidated	\$39,305,000	\$35,101,000
Others	9,496,000	3,776,000
	48,801,000	38,877,000
Less reserve	1,502,000	1,362,000
	\$47,299,000	\$37,515,000
<i>Inventories:</i>		
Raw materials and supplies	\$12,643,000	\$10,809,000
Work in process	5,251,000	3,903,000
Finished merchandise	46,481,000	40,529,000
	\$64,375,000	\$55,241,000
<i>Properties:</i>		
Land	\$ 3,189,000	\$ 2,277,000
Buildings and building fixtures	23,780,000	20,181,000
Machinery and equipment	75,427,000	66,489,000
Store fixtures, leaseholds and improvements	7,635,000	7,572,000
Construction in progress	2,281,000	1,075,000
	112,312,000	97,594,000
Less accumulated depreciation	39,881,000	33,721,000
	\$72,431,000	\$63,873,000
<i>Intangibles, Less Amortization:</i>		
Excess of investments in businesses purchased over net assets acquired	\$ 7,508,000	\$ 7,224,000
Patents, licenses and trademarks, etc.	3,372,000	3,960,000
	\$10,880,000	\$11,184,000
<i>Long Term Debt, Less Current Instalments:</i>		
Unsecured notes, 3 $\frac{3}{8}$ % to 5 $\frac{3}{4}$ %, due in instalments to 1982	\$51,415,000	\$54,633,000
Real estate and other obligations	4,282,000	2,222,000
	\$55,697,000	\$56,855,000
Principal payments due in:		
1966—\$3,966,000	1967—\$5,091,000	
1968—\$3,401,000	1969—\$3,404,000	

(2) BASIS OF CONSOLIDATION • All significant subsidiaries are consolidated. Accounts of subsidiaries outside the United States are translated into U.S. dollar equivalents at appropriate exchange rates. Net assets of such subsidiaries amounted to \$27,850,000 at December 31, 1964 of which \$15,600,000 were net current assets. Undistributed 1964 earnings of such subsidiaries amounted to \$5,500,000. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

During 1964 the Company acquired the net assets of Colorite Plastics, Inc. in exchange for 148,326 shares of capital stock. This transaction has been reflected as a pooling of interests, and accordingly the accompanying consolidated statement of earnings includes the accounts

of Colorite for the entire year of 1964. Comparative 1963 figures (which would not be affected materially) have not been restated.

(3) CONSOLIDATED THERMOPLASTICS COMPANY • In 1963 and prior years Rexall sold minority interests in the stock of a consolidated subsidiary, Consolidated Thermoplastics Company, to El Paso Natural Gas Products Company. An additional sale in 1964 reduced Rexall's ownership to 50%. No further sales are contemplated. In recognition of this new 50-50 ownership, only 50% of the assets, liabilities, income, costs and expenses of Thermoplastics are included in the accompanying 1964 statements. Comparative 1963 figures have been restated to the same 50% basis with no change in net earnings.

For many years the Company and El Paso have been

parties to a joint operating agreement whereby each party has an undivided one-half interest in plant and other assets related to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements reflect 50% of the various joint operating accounts.

(4) **TAXES ON INCOME** • Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. In connection with such claims, waivers have been executed and are still outstanding as to certain of such years. While final action has not yet been taken on the claims, the Treasury Department has made protective assessments of additional income taxes for 1942, 1943 and 1944 based principally upon substantial reductions claimed in the amount of income subject to excess profits taxes in those years. If the proposed adjustments giving rise to the protective assessments are approved, the reduction in excess profits taxes will substantially exceed the related income tax assessed, whereas disapproval of the proposed adjustments would substantially eliminate the basis for the additional income tax assessments. No amounts have been included in the financial statements with respect to these claims or the protective assessments.

The Company deducts accelerated and guideline depreciation on certain properties for tax purposes. Further, certain process development costs are deducted for tax purposes as incurred. Provision is made currently for taxes which will become payable in future years when book amortization and depreciation on a straight line basis will exceed amounts allowable for tax purposes. The 1964 provision for such future taxes amounted to \$900,000. The increase applicable to foreign income taxes due after one year was \$200,000.

Investment tax credits of \$538,000 (at 100%) for 1964 and \$211,000 deferred from prior years have been applied in reduction of the 1964 tax provision.

(5) **STOCK OPTIONS** • Pursuant to a stock option plan as amended and approved by the shareholders and under other agreements, a total of 829,961 shares of capital stock of the Company are reserved for purchase by officers and employees under options granted or to be granted. The option price is the market price of the stock on the date options are granted. Options for 167,650 shares were exercised prior to 1964. A summary of changes during 1964 is set forth below:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
	SHARES*	AMOUNT	SHARES*	AMOUNT
Beginning of year	843,574	\$13,299,000	183,970	\$2,973,000
Adjustment for stock dividend	25,314		5,519	
Options granted or exercisable	63,980	1,667,000	92,381	1,340,000
Options exercised	(66,221)	(655,000)	(66,221)	(655,000)
Options cancelled	(54,536)	(878,000)	(4,276)	(81,000)
End of year	812,111	\$13,433,000	211,373	\$3,577,000

*After giving effect to 2 for 1 stock split in 1964

At December 31, 1964 there were 17,850 shares for which options could be granted.

(6) **STOCKHOLDERS' EQUITY** • The stockholders of Rexall at a special meeting in December 1964 approved a two-for-one stock split effective December 22, 1964 and an increase in the authorized number of common shares to 25 million from 10 million. The par value of the stock was reduced from \$2.50 per share to \$1.25 per share.

Under agreements covering long term debt \$20,300,000 of the \$63,026,000 retained earnings at December 31, 1964 is not restricted as to payment of cash dividends. The agreements impose no restriction on the payment of stock dividends.

(7) **COMMITMENTS AND CONTINGENCIES** • Minimum annual lease rentals payable by the Company under real estate, store fixture and transportation equipment leases in effect at December 31, 1964 are as follows:

Leases expiring in —	
1965-1969	\$4,553,000
1970-1974	2,039,000
1975-1979	1,133,000
1980-1984	956,000
after 1984	505,000
	<u>\$9,186,000</u>

Some leases provide for rentals based upon a percentage of sales and nearly all require additional payments for

property taxes, insurance and maintenance. Some leases contain purchase options. Provision has been made for estimated lease losses on properties no longer operated.

Certain lawsuits have been filed against the Company. In the opinion of counsel, none of these suits is likely to result in significant liability to the Company.

(8) **CAPITAL EXPENDITURES** • It is estimated that capital expenditures for 1965 will be approximately \$30,000,000.

(9) **INCENTIVE COMPENSATION** • Under the formula incorporated in the Company's 1962 stockholder approved Incentive Compensation Plan for key employees, \$545,550 was awarded of the total \$1,056,693 available for incentive awards in respect of 1964. This sum, awarded by the Incentive Compensation Committee and the Executive Committee of the Board of Directors, was divided among 74 key employees.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of the Company, and certain special awards have been authorized for employees not participating in any plan. A total of \$840,053 has been awarded by the above committees to a total of 287 persons in these categories. The amount available for awards under the plan totaled \$1,770,410.

No individual participates in more than one plan. Excess amounts available but not awarded under all plans will not be available for future awards and are included in 1964 consolidated earnings of the Company.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.

530 WEST SIXTH STREET
LOS ANGELES
March 2, 1965

To the Board of Directors of
Rexall Drug and Chemical Company

In our opinion, the accompanying statements of financial position, capital in excess of par value and earnings and retained earnings present fairly the financial position of Rexall Drug and Chemical Company and its consolidated subsidiaries at December 31, 1964 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

TEN YEAR FINANCIAL REVIEW

(in thousands of dollars)

Rexall Drug and Chemical
Company and its
consolidated subsidiaries

FOR THE YEAR 1964

Net sales	\$ 283,985
Depreciation	7,803
Taxes on income	11,750
Net earnings	16,292
Net earnings per share	1.66
Cash dividends per share	.26¼
Stock dividend	3%

AT YEAR END

Working capital	\$ 94,260
Property and equipment (net)	72,431
Total assets	234,571
Long term debt	55,697
Deferred liabilities	8,100
Stockholders' equity	124,655
Stockholders' equity per share	12.72
Number of shares of stock outstanding	9,802,940
Number of stockholders	23,262
Number of employees	14,094

Earnings per share is based upon the average number of shares outstanding during each year. The number of shares of stock outstanding, stockholders' equity per share, and earnings per share for 1963 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

† Restated—see note 3 to financial statements.

* Before special charge to retained earnings.

1963†	1962†	1961†	1960†	1959	1958	1957	1956	1955
\$ 264,553	\$ 264,335	\$ 250,813	\$ 239,961	\$ 227,016	\$ 182,371	\$ 167,567	\$ 155,633	\$ 153,465
6,561	6,113	4,093	3,688	3,520	2,437	2,049	1,814	1,929
11,250	7,600	9,050	8,400	8,400	5,300	4,600	4,600	4,850
11,951	6,318*	9,581	9,360	8,753	6,305	4,614	4,474	4,066
1.24	.66	1.00	1.04	.99	.80	.59	.56	.49
.25	.25	.25	.25	.25	.25	.25	.25	.25
3%	3%	3%	3%	3%				

\$ 85,690	\$ 82,600	\$ 72,088	\$ 71,458	\$ 57,470	\$ 55,146	\$ 50,475	\$ 46,200	\$ 47,680
63,873	57,391	55,628	33,920	33,081	26,015	20,162	18,207	17,639
212,534	203,693	191,337	157,540	135,865	119,735	97,083	90,968	89,689
56,855	60,298	52,533	38,698	29,931	31,161	24,354	21,434	22,903
7,200	4,997	3,147	950	450				
109,660	99,970	97,411	86,564	72,049	59,402	50,551	48,695	47,069
11.39	10.40	10.15	9.37	8.11	7.20	6.65	6.16	5.75
9,625,350	9,607,982	9,594,746	9,239,072	8,886,158	8,249,586	7,598,168	7,906,432	8,190,560
22,217	21,948	21,079	20,287	19,151	16,911	15,852	15,865	15,807
13,730	13,524	12,118	11,604	11,750	10,462	10,145	9,618	9,397

REXALL DRUG AND CHEMICAL COMPANY

CHEMICAL GROUP:

Ralph M. Knight, *President*

Petrochemicals:

REXALL CHEMICAL COMPANY
Los Angeles, California
Paramus, New Jersey†

Ethylene, propylene, "El Rex" brand polyethylene
and polypropylene resins:

Odessa, Texas†

"El Rex" brand polystyrene resins:

Holyoke, Massachusetts
Santa Ana, California

Pharmaceutical and fine chemicals:

Kearny, New Jersey

Thermoformed containers:

• MASSACHUSETTS PLASTICS CORPORATION
Ludlow, Massachusetts

PACKAGING GROUP:

Donald H. Brewer, *President*

Plastic bottles, tubes, jars and specialty containers:

IMCO CONTAINER COMPANY*

Kansas City, Missouri

• Baltimore, Maryland

Belvidere, New Jersey

Cicero, Illinois

• Elizabeth, New Jersey

Goleta, California

Harrisonburg, Virginia

Jeffersonville, Indiana

Los Angeles, California

• St. Louis, Missouri

IMCO CONTAINER (CANADA) LTD.

Cooksville, Ontario, Canada

Collapsible metal tubes:

WHITE METAL MANUFACTURING COMPANY

Hawthorne, New Jersey

Indianapolis, Indiana

Closures for containers and tubes; custom molded products:

TUPCO

Farnumsville, Massachusetts

IMCO CONTAINER COMPANY*

Excelsior Springs, Missouri

CTP brand plastic film for packaging, insulation and coating:

FILM DIVISION—CONSOLIDATED THERMOPLASTICS*

Paramus, New Jersey
Chippewa Falls, Wisconsin
Santa Ana, California
Woonsocket, Rhode Island

European packaging operations:

EUROPEAN PACKAGING AND PROCESSING

Paris, France

IMCO CONTAINER COMPANY (England)

Golborne, England

SOCIETE GANTOISE d'EXPANSION INDUSTRIELLE, S.A.

Ghent, Belgium

Machinery for new plastic products and processes:

NEW MACHINERY DIVISION

Kansas City, Missouri

Woonsocket, Rhode Island

SAREX

St. Sulpice, Switzerland

DIECRAFT ENGINEERING (Pty.) LTD.

Melbourne, Australia

New plastic products including mesh and laminates:

NEW MARKETS DIVISION*

Stamford, Connecticut

Mahwah, New Jersey

Four and Six-pack plastic packaging:

COMBI-CLIP CO.*

North Hollywood, California

Foam polystyrene drinking cups:

• THOMPSON INDUSTRIES CO., INC.

Phoenix, Arizona

Atlanta, Georgia

Monrovia, California

Red Bank, New Jersey

South San Francisco, California

pvc garden house specialty extrusions and compounding:

• COLORITE PLASTICS

Paterson, New Jersey

Corrosion-proof plastic pipe systems and electrical conduit:

KRALOY/CHEMTROL COMPANY

Santa Ana, California

• Totowa, New Jersey

First aid, hospital, rubber and athletic goods:

THE SEAMLESS RUBBER COMPANY

New Haven, Connecticut

THE ABSORBENT COTTON COMPANY

Valley Park, Missouri

Industrial abrasive products:

UNITED COTTON PRODUCTS COMPANY

Fall River, Massachusetts

Manufacture of plastic housewares including food storage
containers, bowls, dishes and specialty items:

TUPPERWARE COMPANY

North Smithfield, Rhode Island

Blackstone, Massachusetts

TUPPERWARE HOME PARTIES, LTD.
Cowansville, Quebec, Canada

• TUPPERWARE MEXICO

Lerma, Mexico

TUPPERWARE EUROPE S.A.

• Aalst, Belgium

Erembodegem, Belgium

TUPPERWARE OF AUSTRALIA (Pty.) LTD.

Ferntree Gully, Australia

TUPPERWARE ENGLAND

Wigan, England

• TUPPERWARE JAPAN

Okazaki, Japan

TUPPERWARE HOME PARTIES:

Hamer Wilson, *President*

Plastic housewares distributing organizations:

TUPPERWARE HOME PARTIES COMPANY

Orlando, Florida

TUPPERWARE HOME PARTIES, LTD.

Toronto, Ontario, Canada

TUPPERWARE OF AUSTRALIA (Pty.) LTD.

Melbourne, Australia

TUPPERWARE ENGLAND

London, England

• Capetown, South Africa

TUPPERWARE EUROPE S.A.

Paris, France

AUSTRIA—Vienna

BELGIUM—Brussels

FRANCE—Paris

GERMANY—Frankfurt/Main

• GREECE—Athens

ITALY—Milan

NETHERLANDS—Amsterdam

SCANDINAVIA—Copenhagen

SWITZERLAND—Geneva

JAPAN TUPPERWARE, LTD.

Tokyo, Japan

RIKER ETHICAL DRUGS GROUP:

George L. Maison, M.D., *President*

Riker products for cardio vascular, central nervous, fat-
handling, pulmonary and gastro-intestinal disorders:

RIKER LABORATORIES

Northridge, California

RIKER PHARMACEUTICAL COMPANY, LTD.

Cooksville, Ontario, Canada

RIKER LABORATORIES

Loughborough, England

Welwyn Garden City, England

RIKER LABORATORIES AFRICA (Pty.) LTD.
Observatory Cape, South Africa

RIKER LABORATORIES AUSTRALIA (Pty.) LTD.
Crows Nest, Australia
Thornleigh, N.S.W., Australia

RIKER LABORATORIES (N.Z) LTD.
Wellington, New Zealand

RIKER-EVANSTON ARGENTINA S.A. C. I. y F.
Buenos Aires, Argentina

KETTELHACK-RIKER PHARMA GmbH
Borken, West Germany

HORMOFARMA-RIKER, S.A. de C.V.
Mexico City, Mexico

• LABORATORIES MEDIAL, S.A.
Lyon, France

REXALL DRUG PRODUCTS GROUP:

John Bowles, *President*

Proprietary drugs, toiletries and cosmetics, hospital and rubber products and drug store sundries all sold under the Rexall label to franchised Rexall drug stores:

REXALL DRUG COMPANY
Los Angeles, California
St. Louis, Missouri

REXALL DRUG COMPANY, LTD.
Cooksville, Ontario, Canada

REXALL DRUG COMPANY S.A. (Pty.) LTD.
Port Elizabeth, South Africa
Johannesburg, South Africa

REXALL DRUG COMPANY
Loughborough, England
Dublin, Ireland

Private formula drugs, toiletries, cosmetics, household and automotive products:

CARNEGIE LABORATORIES
Los Angeles, California
St. Louis, Missouri

LIGGETT-DRUG KING GROUP:

Robert T. Beattie, *President*

Company owned Rexall drug stores and restaurants:

DRUG KING, INC.
Hollywood, California

LIGGETT DRUG COMPANY
Stamford, Connecticut

REALTY

Samuel C. Prusky, *President*

Retail drug store financing:

REXALL REALTY CORPORATION
Los Angeles, California

TRANSFER AGENTS

Morgan Guaranty Trust Company of New York,
New York
State Street Bank and Trust Company, Boston
Bank of America National Trust and Savings
Association, Los Angeles

REGISTRARS

The Chase Manhattan Bank, New York
The National Shawmut Bank of Boston, Boston
United California Bank, Los Angeles

INDEPENDENT AUDITORS

Price Waterhouse & Co.

HEADQUARTERS

Rexall Square, 8480 Beverly Boulevard,
Los Angeles, California 90054

FOR ADDITIONAL COPIES WRITE: The President,

Rexall Drug and Chemical Company,

8480 Beverly Boulevard, Los Angeles, California 90054

• New Since 1963

† Joint venture with El Paso Natural Gas Products Company

* Divisions or subsidiaries of Consolidated

Thermoplastics Company, jointly owned with El Paso
Natural Gas Products Company

